



TELEMARKETING FRAUD

What You Need to Know

A Message from

AARP
Council of Better Business Bureaus' Foundation
Department of Justice
Federal Bureau of Investigation
Federal Trade Commission
National Association of Attorneys General
Securities and Exchange Commission
US Postal Inspection Service

Consumers lose billions of dollars each year to telemarketing fraud. That's why federal, state and private agencies have joined together to create kNOw Fraud, an effort to help you avoid being victimized by telemarketing and mail fraud operators. Unlike most other crimes, telemarketing and mail fraud requires one essential element: victim participation. We are all potential targets, because fraud isn't limited by race, ethnic background, gender, age, education or income. Unscrupulous promoters go after anyone with a phone or mailbox. The best way to protect yourself is to **know** the differences between legitimate offers and fraudulent ones.

You can get additional information from and file an electronic complaint with kNOw Fraud at www.consumer.gov/knowfraud. You can mail a complaint or request information by writing to kNOw Fraud, PO Box 45600, Washington, DC 20026-5600. Also, you can check out the kNOw Fraud video from your local library.

The kNOw Fraud partners encourage you to be alert when you hear phone solicitations and to listen carefully for the red flags outlined here that signal deceptive offers. If you feel pressured to buy, quickly end the call. You're not being rude, you're being safe.

HOW TELEMARKETING SCAMS WORK

The heart of a fraudulent telemarketing operation is usually a "boiler room," a rented space with desks, telephones and well-trained operators who call hundreds of people across the country every day.

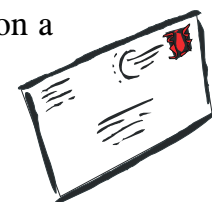
Fraudulent telemarketers may reach you in several ways:



Cold Calls. Operators may get your number from a telephone directory, a mailing list or what fraudsters call a "sucker list." Sucker lists contain names, addresses, phone num-

bers and other information, such as how much money was spent by people who have responded to previous telemarketing solicitations. The lists are bought and sold by promoters. They are invaluable to scam artists, who know that consumers who have been deceived once are especially vulnerable to additional scams.

Direct Mail. You may get a letter or postcard saying you've won a prize or a contest. This often is a front for a scam. Instructions tell you to respond to the



promoter with certain information. If you do, you'll be called by someone who may use persuasive sales pitches, scare tactics and false claims to deceive you and take your money.

Broadcast and Print Advertisements.

You may place a call in response to a television, newspaper or magazine advertisement. The fact that you initiate the call doesn't mean the business is legitimate or that you should be less cautious about buying or investing on the phone.

THE HOOKS

Prize offers. You usually have to do something to get your "free" prize, like attend a sales presentation, buy something, pay a fee or give out a credit card number. The prizes are worthless or overpriced.

Travel packages. "Free" or "low cost" vacations can end up costing a bundle in hidden costs, or they may never happen. You may pay a high price for some part of the package — like hotel or airfare. The total cost may run two to three times more than what you'd expect to pay, or what you were led to believe.

Investments. People lose millions of dollars each year to "get rich quick" schemes that promise high returns with little or no risk. These can include

movies, cable television, Internet gambling, rare coins, art and other "investment opportunities." The schemes vary, but one thing is consistent: Unscrupulous promoters of investment fraud rely on the fact that investing may be complicated, and many people don't research the investment process.

SOME PHRASES CON ARTISTS USE

"You've been specially selected to hear this offer."

"You'll get a wonderful free bonus if you buy our product."

"You've won one of five valuable prizes."

"You've won big money in a foreign lottery."

"You must send money right away."

"This investment is low risk and provides a higher return than you can get anywhere else."

"You have to make up your mind right away."

"We'll just put the shipping and handling charges on your credit card."

Charities. Con artists often push you for an immediate gift, but won't send written information so you can check them out. They also may try to confuse you by using names that sound like well-known charitable organizations or even law enforcement agencies.

Recovery scams. If you buy into any of the above scams, you're likely to be called again by someone promising to get your money back. Be careful not to lose more money to this common practice. Even law enforcement officials can't guarantee they'll recover your money.

THE TELEMARKETING SALES RULE

The Federal Trade Commission's (FTC) Telemarketing Sales Rule requires telemarketers to make certain disclosures and prohibits misrepresentations. It gives you the power to stop unwanted telemarketing calls and gives state law enforcement officers the authority to prosecute fraudulent telemarketers who operate across state lines.

The rule covers most types of telemarketing calls to consumers, including calls to pitch goods, services, "sweepstakes," prize promotions and investment opportunities. It also applies to calls consumers make in response to postcards or other materials received in the mail. Among other things, the rule states:

- It's illegal for a telemarketer to call you again once you've asked to be placed on their "do not call" list. (It's important that you use the term "do not call" list.) Use this tip any time a caller makes you feel uncomfortable.
- Calling times are restricted to the hours between 8 a.m. and 9 p.m.

- Telemarketers must tell you it's a sales call and who's doing the selling *before* they make their pitch. If it's a prize promotion, they must tell you that no purchase or payment is necessary to enter or win. If you're asked to pay for a prize, hang up. Free is free.

FEDERAL LOTTERY LAW

According to the Federal Lottery Law, it is illegal to operate a lottery through the mail or over the telephone. A lottery exists when you must pay for a chance to win a prize. The prize could range from money to jewelry or a new car. The chance means an opportunity to win, such as a drawing or a matching lucky number. Consideration means some sort of payment by you. If all three elements are present, it's a lottery.

HOW CAN YOU PROTECT YOURSELF?

- Don't be pressured to make an immediate decision.
- Don't give your credit card, checking account or Social Security Number to unknown callers.
- Don't pay for something merely because you'll get a "free gift."
- Get all information in writing *before* you agree to buy.
- Check out a charity before you give. Ask how much of your donation actually goes to the charity. Ask that

written information be sent to you so you can make an informed giving decision.

- Don't invest your money with an unknown caller who insists you make up your mind immediately.
- If the offer is an investment, check with your state securities regulator to see if it is properly registered.
- Don't send cash by messenger or overnight mail. If you use cash rather than a credit card in the transaction, you may lose your right to dispute fraudulent charges.
- Make sure you know the per minute charge for any 900 number call you make.
- Be cautious of statements that you've won a prize — particularly if the caller says you must send money to claim it.
- Don't agree to any offer where you have to pay a registration or shipping fee to receive a "prize."
- Check out unsolicited offers with the Better Business Bureau, local consumer protection agency, or state Attorney General's office *before* you agree to send money.
- Beware of offers to "help" you recover money you may have lost previously. Be wary of callers saying they are law enforcement officers who will help you get your money back "for a fee."

TO REPORT A SCAM

If you have been a victim of telemarketing fraud, call kNOw Fraud at 1-877-987-3728, write to kNOw Fraud at PO Box 45600, Washington, DC 20026-5600; or visit online at www.consumer.gov/knowfraud.

You may contact your local law enforcement agency. The Telemarketing Sales Rule gives local law enforcement officers the power to prosecute fraudulent telemarketers who operate across state lines.

You also may wish to contact the Federal Trade Commission about your complaint. Although the FTC cannot represent you directly in a dispute with a company, it can act when it sees a pattern of possible law violation. Contact the Consumer Response Center by phone, toll-free at 1-877-FTC-HELP (382-4357), TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, Washington, DC 20580; or by e-mail, using the complaint form at www.ftc.gov.



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